

## Message Text

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ACTION SS-25

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C O N F I D E N T I A L WARSAW 9015

EXDIS

E.O. 11652: GDS  
TAGS: EFIN PL  
SUBJ: REPLY OF FINANCE MINISTER KISIEL TO USG DECEMBER 10 COMMENTS

REF: WARSAW 8949

1. I CALLED ON FINANCE MINISTER KISIEL ON DECEMBER 13 AT HIS REQUEST. HE WAS AGAIN ATTENDED BY VICE MINISTER KRZAK. KISIEL OCCASIONALLY CONSULTED A WRITTEN POSITION PAPER WHICH HAD BEEN PREPARED FOR THE MEETING.
2. KISIEL SAID HE WISHED TO REFER TO OUR MEETING OF DECEMBER 10 AND THE ORAL STATEMENT WHICH I HAD PRESENTED TO HIM ON THE USG POSITION ON DEBT RESCHEDULING. KISIEL SAID HE HAD CONSULTED WITH THE APPROPRIATE POLISH AUTHORITIES CONCERNING OUR POSITION. HE SAID THE GOP DOES NOT INTEND TO SEEK RESCHEDULING AND THE ORAL COMMENTS OF PREMIER JAROSZEWICZ AND HIMSELF TO SECRETARY KREPS HAD BEEN STRICTLY UNOFFICIAL AND INFORMAL. KISIEL SAID THAT, IN MAKING THESE INFORMAL SUGGESTIONS TO SECRETARY KREPS, THE GOP WANTED TO ASSURE THAT ALL POSSIBILITIES FOR COOPERATING WITH THE US WERE EXPLORED. "IF THE US GOVERNMENT DOES NOT SEE POSSIBILITIES" FOR DEVELOPING OUR RELATIONS WHICH MIGHT STEM FROM THE POLISH SUGGESTION, THEN THE GOP "WITHDRAWS THE SUGGESTION."
3. KISIEL SAID THAT, IN ANALYZING HOW IT SHOULD DEAL WITH ITS PAY-  
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MENTS PROBLEMS, IT WAS NATURAL THAT THE GOP SHOULD WANT TO SOUND OUT WHAT POSSIBILITIES MIGHT EXIST FROM THE POINT OF VIEW OF THE AMERICAN GOVERNMENT. HE SAID THAT, IF THE SUGGESTION OF EASING PAYMENTS DUE OVER THE NEXT THREE YEARS ON CCC AND EXIM BANK CREDITS IS NOT ACCEPTABLE UNDER AMERICAN POLICY, THE POLISH REQUEST IS WITHDRAWN "WITH REGRET." HE SAID THE GOP HAD ALWAYS INTENDED ITS PROCEEDINGS TO BE CONSISTENT WITH POLAND'S LONG-TERM POLICY OF MEETING ALL OF ITS DEBT OBLIGATIONS.

4. KISIEL SAID THAT THE FACT THAT PL-480 LOANS HAD BEEN EXCLUDED

FROM THE SUGGESTIONS MADE TO SECRETARY KREPS SHOULD ALSO HELP US SEE THAT THE GOP DID NOT HAVE DEBT RESCHEDULING IN MIND.

5. KISIEL STRONGLY EMPHASIZED THE GOP'S DESIRE THAT ITS REQUEST FOR GRAIN PURCHASES IN 1977-1978, AS MADE DURING THE SEVENTH SESSION OF THE JOINT TRADE COMMISSION, BE GIVEN FULL CONSIDERATION. HE REPEATED THAT THE BAD HARVEST MADE PURCHASES OF 5 TO 6 MILLION TONS THIS YEAR NECESSARY AND THAT THE GOP IS PREPARED TO MAKE THE PURCHASES UNDER CCC TERMS.

6. KISIEL SAID HE HOPED THE USG WOULD THOROUGHLY "WEIGH ALL OF THE POSSIBILITIES" FOR CONCLUDING A LONG-TERM AGRICULTURAL AGREEMENT, SUCH AS MINISTER JERZY OLSZEWSKI HAD SUGGESTED TO SECRETARY BERGLAND. HE SAID THE GOP REALIZED THAT NEW LEGISLATION WOULD BE REQUIRED FOR A GOVERNMENT PROGRAM OF INTERMEDIATE-TERM CREDITS. HE REPEATED THAT POLAND WOULD LIKE TO HAVE ACCESS TO LOANS, THE REPAYMENT OF WHICH WOULD TAKE PLACE OVER 7 TO 8 YEARS, WITH A 3-YEAR GRACE PERIOD. HE SAID THAT THE GOP WOULD, OF COURSE, LIKE TO OBTAIN THE BEST INTEREST RATES POSSIBLE, BUT THAT NORMAL CCC RATES WOULD BE ACCEPTABLE IF NOTHING BETTER WERE AVAILABLE.

7. KISIEL THEN SAID THAT, IF WE COULD GIVE HIM SOME INDICATION THAT THE LEGISLATIVE AND ADMINISTRATIVE STEPS NECESSARY TO ESTABLISH SUCH A MEDIUM-TERM FACILITY COULD BE COMPLETED "WITHIN EIGHT MONTHS, OR A YEAR, OR SO," THE GOP WOULD BE WILLING TO PURCHASE 5 MILLION OR MORE TONS OF GRAIN UNDER CCC CONDITIONS. IF WE THOUGHT SUCH A MEDIUM-TERM FACILITY MIGHT BE CREATED, HE ASKED WHETHER WE COULD ALLOW THE GOP TO MAKE ITS PAYMENT FOR THE FY-78 CCC CREDITS AT THE END OF 1978, INSTEAD OF PAYING IN JULY THE HALF WHICH WOULD FALL DUE THEN. IN RESPONSE TO MY QUESTION, KISIEL SAID THE GOP WOULD STILL PREFER TO SEE CCC CREDITS REPAYABLE IN ONE LUMP SUM AT THE END OF THREE YEARS. SINCE THIS DID NOT SEEM POSSIBLE, HE WAS REQUESTING THE CHANGE TO MAKE POSSIBLE YEAR-END, INSTEAD OF TWICE-YEARLY, PAYMENTS, AS CURRENTLY SPECIFIED IN THE CCC PROGRAM. HE IMPLIED THAT OUR AGREEING TO THIS STEP WOULD ALLOW POLAND TO PROCEED WITH LARGER PURCHASES OF U.S. AGRICULTURAL COMMODITIES IN EARLY 1978.

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8. KISIEL SAID THE GOP UNDERSTANDS THAT SUBMISSION OF FINANCIAL INFORMATION IS NECESSARY IN ORDER FOR THE USG TO BE ABLE TO PROCEED WITH CONSIDERATION OF FURTHER AGRICULTURAL CREDITS. HE SAID THE GOP IS PREPARED IN THE IMMEDIATE FUTURE TO MAKE AVAILABLE INFORMATION RESPONDING TO THAT REQUESTED BY ASSISTANT SECRETARY JASINOWSKI ON DECEMBER 1 "AND ANY ADDITIONAL INFORMATION YOU MAY DESIRE." HOWEVER, THE MINISTER SAID THAT IT WOULD BE IMPOSSIBLE FOR POLAND TO FURNISH INFORMATION CONCERNING POLISH LOANS FROM CEMA COUNTRIES AND INSTITUTIONS OR INFORMATION ON POLAND'S HARD-CURRENCY RESERVES. IN RESPONSE TO MY QUESTIONS, KISIEL SAID THAT THE CEMA CHARTER PROHIBITED POLAND FROM MAKING AVAILABLE THE FIRST TYPE OF INFORMATION. VICE MINISTER KRZAK SAID THE POLISH EMBASSY

IN WASHINGTON WOULD BE REQUESTED TO TRANSMIT, PROBABLY TO JASIN-OWSKI, THE GOP'S RESPONSE TO OUR REQUEST FOR INFORMATION. HE SAID THAT I WOULD BE GIVEN A COPY OF THE RESPONSE.

9. KISIEL THEN SAID THAT POLAND WOULD HAVE TO DEAL WITH THE QUESTION OF ITS HARD-CURRENCY RESERVES IF IT DECIDED TO SEEK IMF MEMBERSHIP. HE REFERRED TO THE ARRANGEMENT WHICH, HE SAID, PERMITTED ROMANIA TO SUBMIT THIS INFORMATION TO THE IMF ON A CONFIDENTIAL BASIS. HE SAID HE HOPED THAT A SIMILAR ARRANGEMENT CONFIDENTIAL

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COULD BE WORKED OUT FOR POLAND. HOWEVER, HE SAID, A DECISION TO JOIN IMF COULD ONLY BE TAKEN FOLLOWING CONSULTATION WITH, AND THE AGREEMENT OF, ALL THE MEMBERS OF CEMA. CONSEQUENTLY, THIS WAS NOT A CURRENT POSSIBILITY.

10. AT THE END OF OUR MEETING, KISIEL MADE A SPECIAL POINT OF SAYING THAT MY "ORAL STATEMENT" ON RESCHEDULING WOULD BE KEPT "FOR THE HISTORICAL RECORD ONLY" AND THAT THE GOP, OF COURSE, CONSIDERED THE WHOLE MATTER STRICTLY CONFIDENTIAL.

11. I TOLD KISIEL THAT I UNDERSTOOD THE POINTS WHICH HE HAD CONVEYED AND THAT I REMAINED WILLING TO HEAR ANY ADDITIONAL SUGGESTIONS OR CONCERNS WHICH THE POLISH SIDE HAD TO RAISE. KISIEL REPEATED THAT EITHER HE OR VICE MINISTER KRZAK WOULD BE WILLING TO TRAVEL TO WASHINGTON FOR FURTHER DISCUSSIONS IF THIS WOULD BE HELPFUL.

12. KISIEL ALSO MADE A SPECIAL POINT OF POLAND'S INTENTION OF MAINTAINING A TIGHT REIGN ON IMPORTS FROM THE WEST. HE SAID THE HIGH LEVEL OF AGRICULTURAL IMPORTS REQUIRED THROUGH 1980 NECESSITATED A CUT IN IMPORTS OF CAPITAL GOODS. HE SAID ASSURANCE OF ADEQUATE GRAIN AND FODDER SUPPLIES TO FARMERS WAS THE GOP'S FIRST PRIORITY, AND HE DISCOURSED AT SOME LENGTH ON WHAT HE SAID WAS THE CURRENT FAVORABLE DEVELOPMENT OF THE POLISH LIVESTOCK SITUATION. THE GOP WOULD NOT, THEREFORE, BE ABLE TO TAKE ADVANTAGE OF LARGE EXIM BANK CREDITS UNTIL AFTER 1980, HE SAID. AFTER 1980, POLAND WOULD WANT TO PURSUE ACTIVELY SUCH POSSIBILITIES AS THE GENERAL MOTORS VAN PROJECT WITH EXIM. KISIEL ADDED THAT THE GOP STILL REGARDS THE LIGHT-VAN PLANT AS A GOOD INVESTMENT, BUT ONE WHICH IT CANNOT NOW AFFORD. KISIEL SAID THAT SOME CHEMICAL PROJECTS (HE MENTIONED COAL GASIFICATION AND PROBABLY HAD THE POTENTIAL BILLION-DOLLAR, SYNTHETIC-FIBER PROJECT IN MIND AS WELL) MIGHT PROVIDE OPPORTUNITIES BEFORE 1980. KISIEL SAID HE CONFIDENTIAL

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OFFERED THESE COMMENTS SO THE USG WOULD HAVE A BETTER PERSPECTIVE ON HOW OUR ECONOMIC RELATIONS WOULD PROBABLY DEVELOP OVER THE NEXT FEW YEARS.  
DAVIES

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